Paper 17- Corporate Financial Reporting

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Full Marks : 100 **Time allowed: 3 hours**

Section A

1. Multiple Choice Questions.(1 mark for right choice and 1 mark for justification) **[10×2=20]**

(a) From the following information determine the amount of unrealized profit to be eliminated. Om Ltd. holds 80% Equity shares of Shanti Ltd.

— Om Ltd. sold goods costing ₹60,00,000 to Shanti Ltd. at a profit of 25% on Cost Price. Entire stock were lying unsold as on the date of Balance Sheet.

A. ₹15,00,000
B. ₹60,00,000
C. ₹12,00,000
D. None of the above

(b) Parthan Ltd. reports quarterly and estimates an annual income of ₹200 crores. Assume Tax rates on first ₹100 crores at 30% and on the balance income at 40%. The estimated quarterly incomes are ₹15 crores, ₹50 crores, ₹75 crores and ₹60 crores respectively. The Tax expenses to be recognized in the last quarter as per AS-25 is

A. ₹24 crores
B. ₹21 crores
C. ₹19 crores
D. Insufficient Information

(c) Q Ltd. acquired 2,000 equity shares of R Ltd. on April, 01,2015 for a price of ₹ 3,00,000. R Ltd. made a net profit of ₹ 80,000 during the year 2015-16. R Ltd. issued bonus shares of one share for every five shares held out of the post acquisition profits earned during the year 2015-16. The Share Capital of R Ltd. is ₹ 2,50,000 consisting of shares of ₹ 100 each. If the share of Q Ltd. in the pre-acquisition profit of R Ltd. is ₹ 56,000, the amount of Goodwill/Capital Reserve to be shown in the Consolidated Balance Sheet as on March 31, 2015 is —

A. ₹ 4,000 (Goodwill)
B. ₹ 4,000 (Capital Reserve)
C. ₹ 44,000 (Goodwill)
D. ₹ 50,000 (Goodwill)

(d) G Ltd. takes over P Ltd. on 31.03.2016

There is Export Profit Reserve of ₹15,000 in the Balance Sheet of P Ltd. which is to be maintained for two more years. The journal entry will be :

A. Statutory Reserves A/c debit , to Amalgamation Adjustment A/c
B. Amalgamation Adjustment A/c debit , to Statutory Reserves A/c
C. General Reserves A/c debit, to Amalgamation Adjustment A/c
D. None of the above.

(e)

Super Profit (Computed) :	₹ 9,00,000
Normal rate of return :	12%
Present value of annuity of ₹1 for 4 years @ 12% :	3.0374

Value of Goodwill is —

A. ₹2,96,306
B. ₹1,08,000

C. ₹27,33,660
D. None of the above

(f) On 1st April, 2015 Good Morning Ltd. offered 100 shares to each of its 500 employees at ₹50 per share. The employees are given a month to decide whether or not to accept the offer. The shares issued under the plan (ESPP) shall be subject to lock-in on transfers for three years from grant date. The market price of shares of the company on the grant dated is ₹60 per share. Due to post-vesting restrictions on transfer, the fair value of shares issued under the plan is estimated at ₹56 per share.
On 30th April, 2015, 400 employees accepted the offer and paid ₹30 per share purchased. Normal value of each share is ₹10.
Compute the expenses to be recognized in 2014-2015.
A. ₹6.00
B. ₹2,40,000
C. ₹56
D. ₹50

(g) The following data apply to a company's defined benefit pension plan for the year:

	Amount (₹)
Fair market value of plan assets (beginning of year)	2,00,000
Fair market value of plan assets	2,85,000
Employer Contribution	70,000
Benefit Paid	50,000

Calculate the actual return on plan assets.

A. ₹2,85,000
B. ₹65,000
C. ₹2,00,000
D. ₹85,000.

(h) Mitali Ltd. presents interim financial report quarterly. On 1-4-2015. Mitali Ltd. has carried forward loss of ₹400 lakhs for income-tax purpose for which deferred tax asset has not been recognized. The Mitali Ltd. earns ₹ 500 lakhs in each for quarter ending on 30-6-2015,30-9-2015,31-12-2015 and 31-3-2016 excluding the loss carried forward. Income-tax rate is expected to be 40% Calculate the amount of tax expense to be reported in each quarter.
A. ₹500
B. ₹640
C. ₹160
D. ₹1,600

(i) UV Ltd. had 20,00,000 equity shares outstanding as on 1-1-2014. On 1-10-2014 it issued 2 equity shares bonus for each share outstanding on 30-9-2014. Net profit for 2013 was ₹ 18,00,000, net profit for 2014 was ₹60,00,000. Calculate Basic EPS 2014 and adjusted EPS for 2013.
(A) ₹1.00, ₹0.30
(B) ₹0.30, ₹1.00
(C) ₹1.30, ₹2.00
(D) None of the above

(j) X Ltd. holds 69% of Y Ltd., Y Ltd. holds 51% of W Ltd., Z Ltd. holds 49% of W. Ltd. As per AS 18, Related Parties are :
A. X Ltd., Y Ltd. & W Ltd;
B. X Ltd. & Z Ltd;

C. Y Ltd. & Z Ltd;
D. X Ltd. & Y Ltd. only.

Section B

(Answer any five questions out of seven questions) [5×16=80]

2. (a) A firm of contractors obtained a contract for construction of bridges across river Mitra. The following details are available in the records kept for the year ended 31st March, 2016.

	(₹ in lakhs)
Total Contract Price	2,000
Work Certified	1,000
Work not Certified	210
Estimated further Cost to Completion	990
Progress Payment Received	800
To be Received	280

The firm seeks your advice and assistance in the presentation of accounts keeping in view the requirements of AS 7 (Revised) issued by your institute. **[8]**

2. (b) NM Ltd. had the following borrowings during a year in respect of capital expansion.

Plant	Cost of Asset (₹)	Remarks
Plant P	200 lakhs	No specific borrowings
Plant Q	250 lakhs	Bank loan of ₹ 130 lakhs at 10%
Plant R	350 lakhs	9% Debentures of ₹ 250 lakhs were issued.

In addition to the specific borrowings stated above, the Company had obtained term loans from two banks (1) ₹ 200 lakhs at 10% from CC Bank and (2) ₹ 220 lakhs at 11.50% from SS Bank, to meet its capital expansion requirements.
Determine the amount of borrowing costs to be capitalized in each of the above Plants, as per AS-16. **[8]**

3.(a) A Ltd. acquired 30% Equity Share Capital of B Ltd. at a cost of ₹ 4,50,000. The comparative balance sheets of B Ltd. on the date of acquisition and year end are given below:

Balance Sheet of B Ltd.

Liabilities	Beginning	Year end	Assets	Beginning	Year end
	₹	₹		₹	₹
Share Capital	10,00,000	10,00,000	Fixed Assets	6,00,000	7,00,000
General Reserve	2,00,000	3,30,000	Investment	3,50,000	4,80,000
Securities	1,00,000	1,00,000	Current Assets	5,00,000	5,10,000
Premium					
Current Liabilities	1,50,000	2,10,000			
Proposed Dividend	—	50,000			
	14,50,000	16,90,000		14,50,000	16,90,000

There was no revaluation of asset by B Ltd. during the year. Current Assets of B Ltd. at year- end include stock costing ₹ 60,000 purchased from A Ltd. which sells at cost + 20%. Show the investment in associates in the consolidated balance sheet to be prepared by A Ltd. in the beginning and at year-end. **[8]**

3. (b) Mr. A purchased a computer for ₹44,000 and leased out it to Mr. S for four years on leases basis, after the lease period , value of the computer was estimated to be ₹ 3,000; which he realized after selling it in the second hand market. Lease amount payable at the beginning of each year is ₹ 22,000; ₹13,640;₹6,820 & ₹3,410. Depreciation was charged @ 40% p.a. You are required to pass the necessary journal entries in the books of Mr. S. **[8]**

4. The following is the Balance Sheet of Winners Ltd as on 30th June-

Equity and Liabilities	₹
(1) Shareholders' Funds:	
(a) Share Capital – 20,000 Shares of ₹ 10 each	2,00,000
(b) Reserves & Surplus – General Reserve	20,000
(2) Non-Current Liabilities:	
Long Term Borrowings (i) 10% Debentures	1,00,000
(ii) Loan from bank	40,000
(3) Current Liabilities:	
Trade Payables – Sundry Creditors	80,000
Total	4,40,000
Assets	
(1) Non-Current Assets:	
(a) Fixed Assets: (i) Tangible Assets	
- Land & Building	1,00,000
- Plant & Machinery	1,45,000
(ii) Intangible Assets – Goodwill	25,000
(b) Other Non-Current Assets	
- Preliminary expenses	16,000
(2) Current Assets:	
(a) Inventories	55,000
(b) Trade Receivables	65,000
(c) Cash & Cash Equivalents	34,000
Total	4,40,000

The balance of Winners Ltd is taken over by Superb Ltd as on that date on the following terms:

(i) All Assets except cash and Bank are taken over at Book Value less 10% subject to (b) below.
(ii) Goodwill is to be valued at 4 years' Purchase of the excess of average (five years) Profits over 8% of the combined account of Share Capital and General Reserve.
(iii) Trade Creditors are to be taken over subject to a discount of 5%.
(iv) Loan from Bank is to be repaid by Winners Ltd.
(v) The Purchase Consideration is to be discharged in Cash to the extent of ₹ 1,50,000 and the balance is fully paid Equity Shares of ₹ 10 each valued at ₹ 12.50 per share.

The average of the five years profit is ₹ 30,100. The expenses of Liquidation amount to ₹ 2,000. Prior to 30th June, Winners Ltd sold goods costing ₹ 30,000 to Superb Ltd for ₹ 40,000. Debtors include ₹ 20,000 still due from Superb Ltd. on the date of absorption, ₹ 25,000 worth of Goods were still in Stock of Superb Ltd.

Show the:
Realisation Account, Bank Account, Sundry Shareholders Account and Shares in Superb Ltd **[16]**

5. From the following Balance Sheets of a group of companies and the other information provided, draw up the consolidated Balance Sheet as on 31.3.2012. Figures given are in ₹ Lakhs:

Balance Sheets as on 31.3.2012

Liabilities	X ₹	Y ₹	Z ₹	Assets	X ₹	Y ₹	Z ₹
Shares capital (in shares of ₹ 10 each)	1,650	1,100	550	Fixed Assets (Tangible)	715	825	550
Reserves	275	220	165	Cost of investment in Y Ltd.	990		
Profit and Loss balance	330	275	220	Cost of investment in Z Ltd.	220		
Bills payables	55		27.5	Cost of investment in Z Ltd.		440	
Creditors	165	55	55	Stock	275	110	110
Y Ltd. balance			82.5	Debtors	385	55	110
Z Ltd. balance	275			Bills receivables		55	110
				Z Ltd. balance		55	
				X Ltd. balance			165
				Cash and bank balance	165	110	55
	2,750	1,650	1,100		2,750	1,650	1,100

i. X Ltd. holds 8,80,000 shares and 1,65,000 shares respectively in Y Ltd. and Z Ltd.; Y Ltd. holds 3,30,000 shares in Z Ltd. These investments were made on 1.7.2011 on which date the provision was as follows:

	Y Ltd. ₹	Z Ltd. ₹
Reserves	110	55
Profit and loss account	165	88

ii. In December, 2010 Y Ltd. invoiced goods to X Ltd. for ₹ 220 lakhs at cost plus 25%. The closing stock of X Ltd. includes such goods valued at ₹ 27.5 lakhs.

iii. Z Ltd. sold to Y Ltd. an equipment costing ₹ 132 lakhs at a profit of 25% on selling price on 1.1.2012. Depreciation at 10% per annum was provided by Y Ltd. on this equipment.

iv. Bills payables of Z Ltd. represent acceptances given to Y Ltd. out of which Y Ltd. had discounted bills worth ₹ 16.5 lakhs.

v. Debtors of X Ltd. Include ₹ 16.5 lakhs being the amount due from Y Ltd.
X Ltd. proposes dividend at 10%. **[16]**

6. (a) Himalaya Ltd. announced a Stock Appreciation Right (SAR) on 01.04.2011 for each of its 400 employees. The scheme gives the employees the right to claim cash payment equivalent to excess on market price of company's shares on exercise date over the exercise price ₹125 per share in respect of 100 shares, subject to condition of continuous employment for 3 years. The SAR is exercisable after 31.03.2014, but before 30.06.2014. The fair value of SAR was ₹21 in 2011-12, ₹ 23 in 2012-13 and ₹24 in 2013-14. In 2011-12, the company estimates that 2% of employees shall leave the company annually. This was revised to 3% in 2012-13. Actually, 10 employees left the company in 2011-12,5 left in 2012-13 and 3 left in 2013-14. The SAR therefore actually vested to 382 employees. On 30.06.2014, when the SAR was exercised, the intrinsic value was ₹ 25 per share.
Show the Stock Appreciation Right Account by fair value method. **[8]**

6. (b) The following abridged Balance Sheet as on 31st March, 2016 pertains to S Ltd.

Liabilities	₹ in lakhs	Assets	₹ in lakhs
Share Capital :		Goodwill, at cost	420
180 lakh Equity shares of ₹10 each, fully paid up	1,800	Other Fixed Assets	11,166
90 lakh Equity shares of ₹10 each, ₹8 paid up	720	Current Assets	2,910
150 lakh Equity shares of ₹5 each, fully paid-up	750	Loans and Advances	933
Reserves and Surplus	5,628	Miscellaneous Expenditure	171
Secured Loans	4,500		
Current Liabilities	1,242		
Provisions	960		
	15,600		15,600

You are required to calculate the following for each one of three categories of equity shares appearing in the above mentioned Balance Sheet:

(i) Intrinsic value on the basis of book values of Assets and Liabilities including goodwill;

(ii) Value per share on the basis of dividend yield.
Normal rate of dividend in the concerned industry is 15%, whereas Glorious Ltd. has been paying 20% dividend for the last four years and is expected to maintain it in the next few years; and

(iii) Value per share on the basis of EPS.

For the year ended 31st March, 2016 the company has earned ₹1,371 lakh as profit after tax, which can be considered to be normal for the company. Average EPS for a fully paid share of ₹10 of a Company in the same industry is ₹2.

[8]

7. (a) List the features of Government Accounting. **[8]**

7. (b) Discuss the differences between government accounting and commercial accounting. **[8]**

8. Answer the following: (any four out of five) **[4×4=16]**

(a) Write a short note on — Meaning of XBRL;

(b) While closing its books of accounts on 31st March, a NBFC has its advances classified as follows –

Particulars	**₹ Lakhs**	**Particulars**	**₹Lakhs**
Standard Assets	8,400	Unsecured Portion of Doubtful Debts	87
Sub-Standard Assets	910	Loss Assets	24
Secured Portions of Doubtful Debts:			
- Up to one year	160		
- One year to three years	70		
- more than three years	20		

Calculate the amount of provision which must be made against the advances.

(c) Write a note on — Users of Triple Bottom Line Reporting;

(d) Discuss the characteristics of IFRS;

(e) Venus Ltd. has an asset, which is carried in the Balance Sheet on 31.3.2015 at ₹ 1,000 lakhs. As at that date the value in use is ₹ 800 lakhs and the net selling price is ₹ 750 lakhs.

From the above data:

(i) Calculate impairment loss.

(ii) Give journal entries for adjustment of impairment loss.